

ANNUAL-SALARY BASIS FOR FOURTH-CLASS  
POSTMASTERS

DECEMBER 13 (legislative day, DECEMBER 7), 1943.—Ordered to be printed

Mr. HAYDEN, from the Committee on Post Offices and Post Roads,  
submitted the following

## REPORT

[To accompany H. R. 324]

The Committee on Post Offices and Post Roads, to whom was referred the bill (H. R. 324) to place postmasters at fourth-class offices on an annual salary basis, and fix their rate of pay; and provide allowances for rent, fuel, light, and equipment, and fix the rates thereof, having considered the same, report favorably thereon with an amendment, and recommend that the bill, as amended, do pass.

On page 2, after the word "namely", in line 3, strike out the tabulation and insert in lieu thereof the following:

Less than \$50.....	\$60
\$50 but less than \$100.....	132
\$100 but less than \$150.....	204
\$150 but less than \$200.....	276
\$200 but less than \$250.....	348
\$250 but less than \$300.....	420
\$300 but less than \$350.....	468
\$350 but less than \$400.....	508
\$400 but less than \$450.....	548
\$450 but less than \$500.....	584
\$500 but less than \$600.....	660
\$600 but less than \$700.....	724
\$700 but less than \$800.....	800
\$800 but less than \$900.....	868
\$900 but less than \$1,000.....	926
\$1,000 but less than \$1,100.....	1,004
\$1,100 but less than \$1,500.....	1,100

On page 3, line 19, strike out "1943" and insert "1944".

The enactment of the bill was originally recommended by the Postmaster General by the following letter addressed to the chairman of the committee.

POST OFFICE DEPARTMENT,  
OFFICE OF THE POSTMASTER GENERAL,  
Washington, D. C., May 1, 1943.

HON. KENNETH MCKELLAR,  
Chairman, Committee on Post Offices and Post Roads,  
United States Senate.

MY DEAR SENATOR MCKELLAR: I am submitting below the views of this Department upon H. R. 324, an act to place postmasters at fourth-class post offices on an annual-salary basis, and fix their rate of pay; and provide allowances for rent, fuel, light, and equipment, and fix the rates thereof, upon which you recently requested a report.

The data obtained from the statistics compiled for the calendar year 1939, when the stamp sales at fourth-class post offices amounted to \$16,328,995, indicated that the additional cost of similar legislation proposed at that time would have been \$945,437.

Stamp sales for the calendar year 1942 at fourth-class offices amounted to \$19,243,922, an increase of 17.85 percent over 1939. On that basis, it is estimated that the additional cost of the present proposed legislation would be \$1,114,198 for the fiscal year 1944.

Four years ago, when the departmental estimate for the amount above stated was made, there were 29,712 fourth-class post offices. Since that time the number of fourth-class offices has decreased to 27,289. This decrease has been brought about by discontinuances and in other instances because of advancement from the fourth to the third class. Although the number of offices has decreased, the stamp sales in the remaining number of offices have increased 17.85 percent.

Under the principal laws fixing compensation of postmasters of the fourth class (quoted in Rept. No. 212, which accompanies H. R. 324) the arithmetical processes necessary to determine the amount of earned compensation for the quarter are complicated and increasingly so if withdrawn for any period less than a quarter when the compensation must be prorated for the period which has elapsed. The difficulty of postmasters to determine the amount of compensation to which they are entitled is still further complicated by the necessity of deducting from their earnings the 5 percent required for payment into the retirement fund.

Errors in computing the compensation are found conservatively in 60 percent of the quarterly reports submitted each year by postmasters of the fourth class. This is understandable for the postmaster must keep an accurate daily record of stamps canceled, count the outgoing and local drop mail, and compute the allowable stamp value of each piece. He must remember not to include the value of stamps used in prepayment of special-delivery and special-handling services, or the value of stamps affixed to matter intended for transportation by air over the amount which would be required at the regular domestic rates. He must remember, however, to take credit for the value of stamps on registered, insured, and collect-on-delivery matter and the postage at the regular domestic rates to be collected at the office of address on business reply cards and letters. The time required in keeping these records and computing the compensation is excessive and burdensome, and the following example is given to show the processes necessary to arrive at the amount of compensation at a small office if the amount of the total cancellation for 23 days of a given quarter amounts to \$70.59:

92-day quarter, 23 days, total cancellations.....	\$70. 59
85 percent of cancellations of \$70.59 is.....	60. 00
$2\frac{3}{32}$ of \$75 is \$18.75; at 160 percent is.....	30. 00
$2\frac{3}{32}$ of \$100 is \$25; at 85 percent is.....	21. 25
Remainder, \$16.25; at 75 percent is.....	12. 19
Add $2\frac{3}{32}$ of box rents, \$5.....	1. 25
Earned compensation.....	64. 69
Add 15 percent of \$64.69 for rent, fuel, light, etc.....	9. 70
Total compensation.....	74. 39
Deduct 5 percent of \$64.69 (retirement deduction).....	3. 23
Net compensation.....	71. 16

Postmasters are not required to await the expiration of the quarter before withholding their compensation but, it will be seen, before a postmaster, such as in the example given above, can be certain that he has not withdrawn an amount

greater than the compensation to which he is entitled, he must divide \$275, the maximum allowable in each quarter, plus box rents allowable in the quarter, by  $2\frac{1}{2}$ .

The cancelation method of determining compensation at the present time is actually a consolidation of the amendments to the act of 1883. These amendments have been made by Congress to increase the compensation of fourth-class postmasters, but in so doing the percentage method has been used with the result that the present system requires a series of mathematical computations which cause confusion and misunderstandings.

The legislation recommended for adoption proposes annual salaries for fourth-class postmasters to be ascertained and fixed by the Postmaster General on the basis of gross receipts for the calendar year immediately preceding each fiscal year and is on the same basis now in use in arriving at the compensation for postmasters of the first, second, and third classes.

Had the plan similar to the law herein proposed been in effect during 1939, 21,976 postmasters would have received increases in compensation amounting to \$1,297,416, or an average of \$59.03 per annum each, while 6,918 postmasters would have received \$351,979 less, an average decrease of \$50.87 per annum each. The proposed legislation may not meet the approval of each and every fourth-class postmaster, but it is believed to be fair.

This proposed law does not have for its purpose an increase in pay for fourth-class postmasters and such increased costs as indicated herein are incidental to the proposed change in the method of payment from the commission basis to an annual salary basis.

The Post Office Department is in favor of the proposed legislation because under existing law the method of determining the compensation and allowances of fourth-class postmasters is complex, cumbersome, and conducive to errors both international and otherwise; it is subject to fraud in various ways; the cancelations may be inflated by the mailing of merchandise and produce without regard for the market price, the postage frequently exceeding the market value; by using the registered mails needlessly; by placing excess postage on mail matter; by claiming cancelations on mail matter diverted to other offices expressly to increase the compensation; and by claiming cancelations in larger amounts than the actual.

The objectionable features of the existing law are not limited to the difficulties experienced by postmasters in computing their compensation and to possible frauds which may be perpetrated under it. Duplicate payments of compensation may be involved when stamps purchased at first-, second-, or third-class offices are used on matter mailed at fourth-class offices. In such cases the loss to the Department results from the fact that the sale of stamps is included in the gross receipts on which the salaries of Presidential postmasters are based and commissions on the cancelations of the same stamps are paid to fourth-class postmasters. The amount lost in this manner cannot be accurately estimated but it is believed to be considerable. The proposed law would eliminate most of these objectionable features and the estimated increase in cost should be lessened because of these facts and in addition will greatly simplify the accounting and auditing and reduce the book work of postmasters at these small offices.

It has been ascertained from the Bureau of the Budget that this report is in accord with the program of the President.

Very truly yours,

FRANK C. WALKER,  
*Postmaster General.*

The Second Assistant Postmaster General, at the request of your committee, caused a further study to be made to determine the probable effect of the enactment of this legislation, and, in a memorandum, dated November 8, 1943, estimated that the average annual increased cost, if the bill became law, will be approximately \$572,000, instead of \$1,114,198, as estimated by the Postmaster General last May. He is also convinced that this additional cost will be offset in a substantial degree by savings made in the central accounting post offices and in the General Accounting Office.

The memorandum is as follows:

WASHINGTON, D. C., November 8, 1943.

MEMORANDUM RELATIVE TO H. R. 324

The estimated cost made sometime ago was based on statistics compiled for the calendar year 1939, at which time there were 29,712 fourth-class post offices. A further study has just been made and a comparison, based on the sales and cancellations figures for the calendar year 1942, of the compensation payable to fourth-class postmasters under the two methods, by making an actual check of all the fourth class offices in the States of Alabama, California, Connecticut, Delaware, Michigan, Nevada, Tennessee, Texas, and Wyoming, having a total of 4,135 offices of the fourth class, and it was found that, under H. R. 324, the average annual increased cost for the said 4,135 offices would be \$22.28 per office. Using this formula for all the fourth-class offices, all States, there being 25,653 (4,059 less than 3 years ago) on September 30, 1943, the total cost would be approximately \$572,000.

It is believed, however, that this total cost will be offset to a very great extent by the savings made in central accounting post offices, the General Accounting Office, and in the fourth-class post offices themselves.

The change will simplify the procedure which must be followed by a fourth-class post office when determining the compensation due. This will naturally enable the postmaster to expedite the rendition of his accounts and will eliminate numerous errors which now appear on accounts rendered by this class of postmasters.

Under the principal laws fixing the compensation of postmasters of the fourth class the arithmetical processes necessary to determine the amount of earned compensation for the quarter are complicated and increasingly so if withdrawn for any period less than a quarter when the compensation must be prorated for the period which has elapsed.

It is estimated that errors in computing the compensation are found in approximately 60 percent of the quarterly reports submitted each year by postmasters of the fourth class. This is understandable for the postmaster must keep an accurate daily record of stamps canceled, count the outgoing and local drop mail, and compute the allowable stamp value of each piece. He must remember not to include the value of stamps used in prepayment of special-delivery and special-handling services, or the value of stamps affixed to matter intended for transportation by air over the amount which would be required at the regular domestic rates. He also must remember, however, to take credit for the value of stamps on registered, insured, and collect-on-delivery matter and the postage at the regular domestic rates to be collected at the office of address on business reply cards and letters.

The time required in keeping these records and computing the compensation is excessive and burdensome. A series of mathematical computations are necessary and tends to cause confusion and misunderstanding. The complexity of these computations, under the present system, can readily be seen from the following example:

92-day quarter, 23 days, total cancellations.....	\$70. 59
85 percent of cancellations of \$70.59 is.....	60. 00
23/92 of \$75 is \$18.75; at 160 percent is.....	30. 00
23/92 of \$100 is \$25; at 85 percent is.....	21. 25
Remainder, \$16.25; at 75 percent is.....	12. 19
Add 23/92 of box rents, \$5.....	1. 25
Earned compensation.....	64. 69
Add 15 percent of \$64.69 for rent, fuel, light, etc.....	9. 70
Total compensation.....	74. 39
Deduct 5 percent of \$64.69 (retirement deduction).....	\$3. 23
Deduct 20 percent withholding tax (on \$64.69 earned compensation; \$2.10 money order fees; 60 cents special-delivery fees; total \$67.39, less 23/92 of \$156 quarterly exemption, or \$39, leaving \$28.39 subject to 20 percent tax).....	5. 68
	8. 91
Net compensation.....	65. 48



The proposed legislation, if enacted into law, will bring about a considerable saving in time in the audits of accounts of fourth-class offices by post-office inspectors. It will also cause a saving in time in compiling data at the Department, which is used for posting the retirement accounts of fourth-class post offices in that the gross salary could be ascertained from the body of the report form, rather than having to refer to the compensation schedule.

In addition, the audit by the General Accounting Office will be expedited and facilitated and it is believed safe to assume that fewer errors will be made in recording compensation on the quarterly accounts and this will eliminate the necessity for preparing statements of differences which are transmitted through central accounting postmasters after record thereof has been entered on card forms maintained in central accounting post offices.

The proposed legislation, if enacted into law, will eliminate the investigation of several hundred cases each year by post-office inspectors involving false returns of cancelations. These investigations are costly not only for the Inspection Service but also for the reason that they involve the time of employees in post offices and the Railway Mail Service for keeping the counts of postage. The average investigation requires considerable time and, when such cases have been investigated, it frequently becomes necessary for same to be reviewed by three bureaus of the Department, and in numerous cases reports must be submitted to and considered by United States attorneys. (There will undoubtedly be cases involving inflated sales under the proposed new procedure but it is believed that such cases will be very few and require considerably less time to investigate.)

Many postmasters are unable to compute accurately the compensation due them and follow the practice of overremitting at the close of the quarter, knowing that the amount due will be computed by the central accounting postmaster and returned to them in the form of checks. This practice can apparently be entirely eliminated when postmasters are able to determine from salary tables the amounts due them each month, thus obviating the necessity for correspondence in adjusting these transactions, thereby saving considerable labor.

Under existing law the method of determining the compensation and allowances of fourth-class postmasters is complex, cumbersome, and conducive to errors both intentional and otherwise; it is subject to fraud in various ways; the cancelations may be inflated by the mailing of merchandise and produce without regard for the market price, the postage frequently exceeding the market value; by using the registered mails needlessly; by placing excess postage on mail matter; by claiming cancelations on mail matter diverted to other offices expressly to increase the compensation; and by claiming cancelations in larger amounts than the actual.

The objectionable features of the existing law are not limited to the difficulties experienced by postmasters in computing their compensation and to possible frauds which may be perpetrated under it. Duplicate payments of compensation may be involved when stamps purchased at first-, second-, or third-class offices are used on matter mailed at fourth-class offices. In such cases the loss to the Department results from the fact that the sale of stamps is included in the gross receipts on which the salaries of Presidential postmasters are based and commissions on the cancelations of the same stamps are paid to fourth-class postmasters. The amount lost in this manner cannot be accurately estimated but it is believed to be considerable. The proposed law would eliminate most of these objectionable features and the estimated increase in cost should be lessened because of these facts and in addition will greatly simplify the accounting and auditing and reduce the book work of postmasters at these small offices.

From the foregoing it will be noted that by giving appropriate value to the factual benefits accruing to all—the postmasters, the central accounting offices, the Post Office Department, the General Accounting Office, and the Department of Justice—under the proposed legislation, tends to offset the additional cost in a substantial degree.

SMITH W. PURDUM,  
*Second Assistant Postmaster General.*

The first amendment to the bill, as proposed by your committee, is based upon the following letter from the Postmaster General:

POST OFFICE DEPARTMENT,  
OFFICE OF THE POSTMASTER GENERAL,  
Washington, D. C., November 29, 1943.

HON. KENNETH MCKELLAR,  
*Chairman, Committee on Post Offices and Post Roads,*  
*United States Senate.*

DEAR SENATOR MCKELLAR: Reference is made to your letter of November 16, 1943, concerning bill (H. R. 324) to place postmasters at fourth-class post offices on an annual-salary basis, and fix their rate of pay, and provide allowances for rent, fuel, light and equipment, and fix the rates thereof.

It is shown in your letter that it was unanimously agreed by the committee that this Department be requested to readjust the rates on a scale that would bring the total cost to the Department within the present total cost of the cancellation system which is now in effect in post offices of the fourth class.

Attached hereto for your consideration is a table marked "Exhibit A," embodying a scale of salary rates which will effect a reduction below the cost which would be entailed by H. R. 324 in the amount of \$566,214, this sum being comprised of \$492,360 reduction in salary costs and \$73,854 (which is 15 percent of \$492,360) reduction in allowances for rent, fuel, light, and equipment, which will be only about \$5,000 short of meeting the cost under the present cancellation system.

Very truly yours,

FRANK C. WALKER,  
*Postmaster General.*

The second amendment suggested by your committee is founded upon advice received from the Post Office Department that it will take about 6 months to compile and verify the figures from the quarterly returns of the 25,653 fourth-class post offices for the calendar year 1943, as a basis for computing the salaries to be fixed at each such office throughout the United States. The following memorandum explains the situation:

WASHINGTON, D. C., November 10, 1943.

#### MEMORANDUM

Reference is made to our telephone conversation this afternoon relative to H. R. 324 (fourth-class-postmaster bill) as to the effective date of the act.

Please be advised that I have conferred with appropriate officials here at the Department who have to do with the accounts, and the consensus of opinion is that if this legislation is enacted into law the effective date should be July 1, 1944, for the reason that audited receipts of fourth-class post offices for the December quarter of the calendar year 1943 will not be furnished to this Department by the General Accounting Office until some time in March 1944. After receipt in the Post Office Department, this data must be compiled on punch cards and tabulations made of receipts at each office for the full calendar year 1943 before we can definitely arrive at the salary in each instance, and there are over 25,000 post offices involved. You can readily see that there will be a great amount of work for us to do so as to be ready for the change.

We find that it would be practically impossible to do this by April 1. Therefore, we hope you will see fit to have the effective date be as of July 1, 1944. This will be far more satisfactory and more logical than to have it April 1, 1944.

Sincerely yours,

SMITH W. PURDUM,  
*Second Assistant Postmaster General.*